General Motors Corporation Annual Report for 1975

Clockwise from above: Oldsmobile Cutlass Supreme Brougham, Chevrolet Vega GT, Pontiac Firebird Formula, Pontiac Ventura SJ, Buick Electra Limited, Buick Skyhawk, Chevrolet Caprice Classic, Cadillac Seville.

Cover

Chevrolet Chevette . . . GM's new kind of American car.

Contents

S.E.C. Form 10-K

Common stockholders (including beneficial owners) may obtain a copy of the Annual Report to the Securities and Exchange Commission on Form 10-K, including the financial statements and schedules, from General Motors after May 1, 1976. Requests should be addressed to: Manager, Stockholder Relations, General Motors Corporation, Room 11-229, 3044 West Grand Boulevard, Detroit, Michigan 48202, 313-556-2044.

The Annual Meeting of Stockholders

will be held on May 21, 1976, in Detroit, Michigan.

It is expected that proxy material will be sent to stockholders beginning about April 15, 1976, at which time proxies for use at this meeting will be requested.

Principal Offices

General Motors Corporation
(a Delaware Corporation)
3044 West Grand Boulevard
Detroit, Michigan 48202

767 Fifth Avenue
New York, New York 10022

Stock Transfer Offices

767 Fifth Avenue
New York, New York 10022

3044 West Grand Boulevard
Detroit, Michigan 48202

21 King Street, East
Toronto, Ontario M5C 1B3,
Canada

1350 Sherbrooke Street, West
Montreal, Quebec H3G 1J1,
Canada

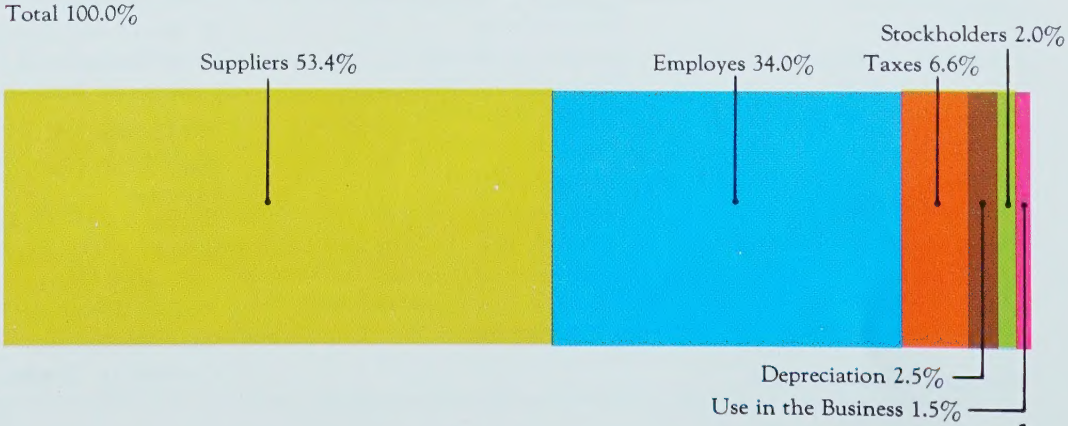
Highlights

(Dollars in Millions Except Per Share Amounts)

	1975	1974	1973
Sales of all Products			
United States Operations			
Automotive products	$26,137.3	$23,446.7	$28,116.6
Nonautomotive products	2,392.8	2,210.2	1,938.8
Defense and space	387.7	359.1	316.4
Total United States Operations	28,917.8	26,016.0	30,371.8
Canadian Operations	4,263.3	3,693.7	3,116.0
Overseas Operations	7,227.3	5,968.8	5,779.0
Elimination of Intercompany Sales	(4,683.5)	(4,129.0)	(3,468.5)
Total	$35,724.9	$31,549.5	$35,798.3
Factory Sales of Cars and Trucks (in thousands)			
Manufactured in United States plants	4,658	4,678	6,512
Manufactured in Canadian plants	595	642	580
Manufactured in Overseas plants	1,376	1,370	1,592
Total	6,629	6,690	8,684
Net Income			
Amount	$ 1,253.1	$ 950.1	$ 2,398.1
As a percent of sales	3.5%	3.0%	6.7%
Earned per share of common stock	$4.32	$3.27	$8.34
Dividends per share of common stock	$2.40	$3.40	$5.25
Taxes			
United States, foreign and other income taxes	$ 1,118.2	$ 727.1	$ 2,115.0
Other taxes	1,217.7	1,142.0	1,090.7
Total	$ 2,335.9	$ 1,869.1	$ 3,205.7
Investment as of December 31			
Working capital	$ 6,394.0	$ 5,541.9	$ 6,196.9
Stockholders' equity	$13,082.4	$12,530.6	$12,566.8
Book value per share of common stock	$44.50	$42.58	$42.71
Worldwide Employment			
Average number of employes (in thousands)	681	734	811
Total payrolls	$10,028.4	$ 9,771.4	$10,308.5

What Happened to the Revenue GM Received During 1975

Total 100.0%



Board of Directors

EUGENE N. BEESLEY*
Chairman of the Board,
Lilly Endowment, Inc.
(Charitable Organization)
Director—11 Years

HARLLEE BRANCH, JR.
Former Chairman of the Board,
The Southern Company
(Electric Utilities)
Director—11 Years

CATHERINE B. CLEARY
President,
First Wisconsin Trust Company
(Trust Services)
Director—3 Years

JOHN T. CONNOR
Chairman of the Board,
Allied Chemical Corporation
(Chemical, Fabricated and Energy Products)
Director—10 Years

ELLIOTT M. ESTES
President and Chief Operating Officer
Service—41 Years
Director—3 Years

WALTER A. FALLON
President,
Eastman Kodak Company
(Photographic Equipment,
Chemicals and Fibers)
Director—3 Years

CHARLES T. FISHER, III
President,
National Bank of Detroit
(Banking)
Director—4 Years

RICHARD C. GERSTENBERG
Former Chairman,
Board of Directors
Director—8 Years

ROBERT S. HATFIELD
Chairman of the Board,
Continental Can Company, Inc.
(Packaging Products)
Director—2 Years

REUBEN R. JENSEN
Executive Vice President
Overseas Operations and
Power and Appliance Group
Service—30 Years
Director—1 Year

HOWARD H. KEHRL
Executive Vice President
Technical Center Staffs
Service—28 Years
Director—1 Year

JOHN A. MAYER
Former Chairman of the Board,
Mellon Bank N.A.
(Banking)
Director—7 Years

F. JAMES MCDONALD
Executive Vice President
U. S. and Canadian Automotive Operations
Service—35 Years
Director—1 Year

W. EARLE MCLAUGHLIN
Chairman and President,
The Royal Bank of Canada
(Banking)
Director—9 Years

HOWARD J. MORGENS
Chairman of the Executive Committee,
The Procter & Gamble Company
(Household and Industrial Products)
Director—13 Years

THOMAS A. MURPHY
Chairman, Board of Directors
and Chief Executive Officer
Service—38 Years
Director—4 Years

ELLMORE C. PATTERSON
Chairman of the Board,
Morgan Guaranty
Trust Company of New York
(Banking)
Director—2 Years

JAMES M. ROCHE
Former Chairman,
Board of Directors
Director—13 Years

SHERMER L. SIBLEY
Chairman of the Board,
Pacific Gas and Electric Company
(Gas and Electric Utility)
Director—1 Year

GERALD A. SIVAGE
Chairman of the Executive Committee,
Marshall Field & Company
(Retail Merchandising)
Director—6 Years

ROGER B. SMITH
Executive Vice President
Financial, Industry-Government
Relations and Public Relations Staffs
Service—27 Years
Director—1 Year

LEON H. SULLIVAN
Pastor, Zion Baptist Church
of Philadelphia
Director—5 Years

RICHARD L. TERRELL
Vice Chairman, Board of Directors
Service—38 Years
Director—3 Years

CHARLES H. TOWNES
Professor, University of California
(Education)
Director—2 Years

Committees

FINANCE

THOMAS A. MURPHY
Chairman
ROGER B. SMITH
Vice Chairman
EUGENE N. BEESLEY*
JOHN T. CONNOR
ELLIOTT M. ESTES
WALTER A. FALLON
RICHARD C. GERSTENBERG
JOHN A. MAYER
HOWARD J. MORGENS
ELLMORE C. PATTERSON
JAMES M. ROCHE
RICHARD L. TERRELL

EXECUTIVE

ELLIOTT M. ESTES
Chairman
RICHARD L. TERRELL
Vice Chairman
REUBEN R. JENSEN
HOWARD H. KEHRL
F. JAMES MCDONALD
THOMAS A. MURPHY
ROGER B. SMITH

AUDIT

CHARLES T. FISHER, III
Chairman
HARLLEE BRANCH, JR.
W. EARLE MCLAUGHLIN
LEON H. SULLIVAN
CHARLES H. TOWNES

PUBLIC POLICY

JOHN A. MAYER
Chairman
CATHERINE B. CLEARY
ROBERT S. HATFIELD
SHERMER L. SIBLEY
GERALD A. SIVAGE
LEON H. SULLIVAN
CHARLES H. TOWNES

BONUS AND SALARY

EUGENE N. BEESLEY*
Chairman
JOHN T. CONNOR
WALTER A. FALLON
HOWARD J. MORGENS
JAMES M. ROCHE

NOMINATING

JOHN T. CONNOR
Chairman
EUGENE N. BEESLEY*
WALTER A. FALLON
JOHN A. MAYER
HOWARD J. MORGENS
ELLMORE C. PATTERSON

**Deceased February 8, 1976*

Officers

Thomas A. Murphy
Chairman and Chief
Executive Officer

Elliott M. Estes
President and Chief
Operating Officer

Richard L. Terrell
Vice Chairman

EXECUTIVE VICE PRESIDENTS

Reuben R. Jensen

Howard H. Kehrl

F. James McDonald

Roger B. Smith

EXECUTIVE COMMITTEE

R. R. Jensen F. J. McDonald E. M. Estes T. A. Murphy R. L. Terrell H. H. Kehrl R. B. Smith

VICE PRESIDENTS AND GROUP EXECUTIVES

Martin J. Caserio
Electrical Components Group

Robert W. Decker
Mechanical Components Group

George R. Elges
Car and Truck Group

Joseph E. Godfrey
Body and Assembly Divisions Group

Harold L. Smith, Jr.
Power and Appliance Group

VICE PRESIDENTS

Harold W. Campbell
General Manager
Frigidaire Division

Paul F. Chenea
Research Laboratories

David C. Collier
General Manager
Buick Motor Division

Robert J. Cook
General Manager
Oldsmobile Division

Thomas E. Darnton
Procurement, Production
Control, and Logistics Staff

Anthony G. De Lorenzo
Public Relations Staff

Henry L. Duncombe, Jr.
Chief Economist

Stephen H. Fuller
Personnel Administration and
Development Staff

Harlow W. Gage
General Manager
General Motors Overseas
Operations Division

Frazer F. Hilder
General Counsel

Peter K. Hoglund
General Manager
Electro-Motive Division

Charles Katko
General Manager
GM Assembly Division

Edward C. Kennard
General Manager
Cadillac Motor Car Division

Robert L. Kessler
Manufacturing Staff

James E. Knott
General Manager
Detroit Diesel Allison Division

Robert D. Lund
General Manager
Chevrolet Motor Division

Robert F. Magill
Industry-Government
Relations Staff

Alex C. Mair
General Manager
Pontiac Motor Division

Donald H. McPherson
President and General Manager
General Motors of Canada Limited

William L. Mitchell
Design Staff

George B. Morris, Jr.
Industrial Relations Staff

Paul D. Pender
General Manager
Fisher Body Division

Charles J. Scanlon
Coordinator of
Pension Fund Investments

F. Alan Smith
Financial Staff

Otis M. Smith
Associate General Counsel

Ernest S. Starkman
Environmental Activities Staff
(*Deceased January 13, 1976*)

Robert W. Truxell
General Manager
GMC Truck & Coach Division

Frank J. Winchell
Engineering Staff

Mack W. Worden
Marketing Staff

STAFF OFFICERS

John R. Edman
Treasurer

Archie M. Long
Comptroller

Calvert Thomas
Secretary

In recent weeks we have been saddened by the death of one of our Directors, Eugene N. Beesley, and three former Directors, Graham F. Towers, John L. Pratt, and Walter S. Carpenter, Jr.

Mr. Beesley, Chairman of the Lilly Endowment, Inc., was the former Chairman of the Board of Eli Lilly and Co. and had been a General Motors Director for 11 years. His wise counsel will be greatly missed.

Mr. Towers, a former Governor of the Bank of Canada, was a GM Director from 1958 to 1966 and brought a valued perspective to the Corporation. Mr. Pratt, one of the last of the great pioneers who helped create the modern General Motors, served on our Board from 1923 to 1968. Mr. Carpenter, a former President and Chairman of E. I. du Pont de Nemours & Co., was a GM Director from 1927 to 1959 and an outstanding contributor to GM's success.

Letter to Stockholders

Most people in the American automobile industry had never experienced anything quite like the beginning of 1975. Inventories of unsold cars were alarmingly high, production was sharply curtailed, two of every five hourly automobile workers were laid off, consumer confidence was never lower, and in showrooms across the country shoppers were few—and buyers were even fewer.

Turbulent 1974, which had opened with a crippling worldwide oil embargo, had ended on a dismal note of deepening recession. In the year's final two months, the annual rate of car sales in the United States—the pulse of the industry—had faltered to about 7.0 million, the lowest level since the early sixties. Worse still, imported cars had taken an uncommonly high percentage of these sales.

The doleful economic news, not only in the United States but around the world, seemed to confirm pessimistic predictions and awakened fearful memories of the Great Depression of the early thirties. Many were noting that what was a recession elsewhere was already a full-blown depression in the automobile industry. The concern for the industry's future was widespread and long-term, and some were convinced that its best days were past, gone forever.

For General Motors, the first quarter of 1975 turned out to be the worst since 1946. Earnings fell to $0.20 per share, net income was less than 1% of sales, and other automobile manufacturers were reporting even worse results.

Yet even when 1975 was darkest, GM was seeing, speaking of, and planning for better days ahead. We noted the increased value in our products, the long-term soundness of the economy, and the central place of the automobile in American life. With these as a basis, we forecast a steady strengthening of car sales in 1975, estimating that the annual rate for the industry in the United States would rise to 9.5 million by the end of the year. And GM scheduled its production to match its prediction.

At the same time, we pressed ahead with future product programs in response to the pronounced shift in public taste toward smaller, and particularly more fuel-efficient, cars. General Motors committed billions of dollars as we set out to redesign our entire line of cars and trucks by 1980, a marketplace reaction on a scale unprecedented in the history of the industry.

To maintain a strong financial position in the face of such low earnings and high capital requirements, the Corporation reduced its first-quarter dividend to $0.60 per share (compared with $0.85 paid a year earlier) and by early April completed a $600 million borrowing—the largest ever by a single industrial firm. Even as GM tried to husband and augment its resources to weather the uncertain times, it rededicated itself to improve cost control and asset management.

The long-looked-for turnaround in auto sales began in the first quarter. Spurred by widely advertised rebates to customers and lower-priced versions of some small cars, showroom traffic picked up and sales for the industry revived. In March, we began to recall some of the 137,500 employes from indefinite layoff.

In the second quarter of 1975, the national recession bottomed out, and the steady process of recovery began, with the automobile industry leading the way. In May, the first of the new generation of GM cars, the distinctive international-sized Cadillac Seville, was introduced and enthusiastically received. Beginning that month and continuing through the rest of the year, GM's annual sales rate—as well as the industry's—like steps on a stairs, climbed steadily upward.

GM's labor and material costs increased, however, as inflation, while moderating, continued at historically high levels. By the time of the 1976-model introduction, these economic costs on a base car were about $375 above those of a year earlier. Mindful always of the competitive importance of offering the highest value at the lowest price, GM increased the wholesale prices of its 1976 base cars by an average of only $216 or 5.9%—and retail prices slightly less—anticipating our ability to improve our efficiency and thereby remain competitive. The 1976-model pricing was described as "tailored to the current realities of the automobile marketplace" by the President's Council on Wage and Price Stability, and the rising demand continued unchecked into the new model year.

In October, Chevrolet successfully brought to market the Chevette, a car smaller and with better gas mileage than any other built in the United States and directly competitive with the best-selling imported cars. Like nothing else could, the Chevette symbolized the readiness of General Motors to change quickly and to compete strongly. The impact of the Chevette on import sales is impossible to single out from other competitive and seasonal factors. Nevertheless, the percentage of foreign-car sales in the United States, which had averaged more than 20% for the first nine months of the year, declined to 13% in the fourth quarter—the lowest level for any quarter since 1971.

Industry car sales reached an annual rate of about 9.5 million in December, and for the year as a whole trailed 1974 by less than 3%. For General Motors, deliveries of new cars in the United States for the year even edged ahead of the 1974 total. Improving sales meant more jobs. Including the employe recalls scheduled for early 1976, the number of hourly layoffs has been reduced by over 100,000.

The dramatic recovery of car sales in the United States was by no means the whole story for GM in 1975. Truck sales experienced a steady revival through the year, generally tracking the recovery in the national economy, and with special strength in pickups and vans. In Canada, retail sales of cars and trucks, as well as dollar sales, also hit new highs. Outside the United States and Canada, dollar sales also were a record but factory unit sales were 14% below the record of 1973. U.S. dollar sales of GM's Power and Appliance Group also were at a record $2.4 billion, 8% over 1974, with three divisions, Detroit Diesel Allison, Electro-Motive, and TEREX, establishing new highs.

In sharp contrast to its poor beginning, 1975 ended on a rising note for General Motors. Energetic competition, economic circumstances—and indeed a measure of good fortune—had turned the tide. The financial results for 1975, while not as good as we would like them to be, demonstrated some of the basic strengths of General Motors. Worldwide dollar sales reached $35.7 billion, 13% above 1974 and only slightly below the 1973 record of $35.8 billion. Worldwide factory sales of cars and trucks of 6,629,000 units were 61,000 fewer than a year ago, but GM's earnings increased to $4.32 per share, 32% more than 1974 although still barely half of the record of 1973. Intensive cost-control pro-

grams, improved operating efficiencies, and higher dollar volume in almost every area of our business contributed to the increase in earnings in 1975. But these hard-won gains were significantly offset by the persistent increases in our labor and material costs which we were unable to recover in prices alone. For the year, net income as a percent of sales was 3.5%, compared with 3.0% in 1974 and 6.7% in 1973.

Looking back, General Motors results in 1975 represent a triumph of confidence —a consistent confidence in the people and the products of General Motors and in the underlying strengths of the American economy and the automobile industry. Most gratifying was the teamwork demonstrated by the entire GM organization—men and women, hourly and salaried, working together in almost every country in the world. GM's performance in 1975 provides further confidence in the ability of our Corporation to do the difficult, and to continue to prosper in the still-difficult months and years ahead.

The American automobile industry faces another critical year in 1976. Confidence is again surely required, but this year it is cooperation that will be the key. A more cooperative relationship must be achieved with the unions with which we will be negotiating in 1976. We also will need a cooperative attitude with government whose laws and regulations will materially alter the design, the performance, and the cost of our future products.

Cooperation is imperative because the unions and the government share with the manufacturers a common stake in the continued success of the automobile industry. Unless the industry is able to continue to offer the kinds of products that people need and want and insist upon, and at prices they can afford, both the industry and the government are affected. Legislative and regulatory excesses, illustrated by the now-rescinded but never-lamented requirement for a starter-seatbelt interlock, all too often restrict the customer's freedom to choose. Then, to whatever extent reduced choices mean reduced sales, the overreach of government weakens the industry's ability to provide jobs.

Federal law now establishes standards for gasoline mileage as well as exhaust emissions for future model years. To meet the gasoline-mileage requirements, all but a small fraction of our post-1984 cars could be no heavier than today's Chevrolet Vega. This massive disruption of free-market choice would be caused by the Energy Policy and Conservation Act of 1975, and we are seeking its amendment before its impact begins to be felt, which would be as early as the 1978 model year.

An even more immediate problem, now compounded by the new gasoline-mileage requirements, is to meet the further tightening of the Federal emission standards scheduled for 1978 models. We have informed Congress, which is now reviewing these standards, that neither General Motors—nor any other manufacturer as far as we know—can comply with them. Certification of 1978 cars must begin this year, but the engine technology does not exist which will enable us to meet the standards on a mass-production basis. This is true not only of the conventional piston engine but of any of the alternatives which we have been exploring, such as the gas turbine, the diesel, or the stratified-charge engine.

These laws demand that we achieve significant breakthroughs in technology—and soon. While we search for such breakthroughs daily, and while we have had some success in the past, we have only the hope—and certainly no assurance—that they will be achieved this time, and in time. The consequences, both human and economic, of any substantial curtailment of automobile production in future years would be severe, as recent experience has taught. It would matter little to the laid-off worker or the frustrated car-buyer that the cause lay in the laws of man rather than the laws of economics.

For these reasons, it is essential that in 1976 we enlist the understanding and cooperation of government to assure the continued health of the industry. General Motors is petitioning the government for sensible revisions of the Federal laws: in one case to forestall unnecessary tightening of the emission standards, and in the other to allow the customer's free choice—rather than arbitrary gas-mileage requirements—to dictate the sizes of the cars we can offer for sale.

At the same time, we must achieve greater understanding and cooperation with our labor representatives as we approach the negotiations of 1976. American auto workers are among the best compensated of those in any large industry in any country, and their wages have more than kept pace with the inflation of recent years. Today, for the first time in history, the average cost to General Motors of an hour's work is more than $10—30% more than in late 1973 when our last agreement was signed. Still-higher costs, with their predictable impact on the prices of our products, present obvious perils to sales and consequently to employment in the industry as well as to the nation's competitive position in world markets.

We are confident that the leaders of the unions representing our employes will recognize the interest we share in the success of our industry. Such an understanding will instill the essential spirit of cooperation that can produce, in 1976, a reasonable and equitable agreement without any stoppage of the sustained and steady production which played so large a part in the recovery of 1975. We will continue to meet our deeply felt commitment to equal employment opportunity throughout General Motors, knowing that, as always, the strength of our organization lies ultimately in the fullest use of the talent and energies of all our employes.

The confidence we demonstrated a year ago in the future of our industry and General Motors is certainly no less today. Difficulties lie ahead, to be sure. But we are equally sure that General Motors is the best equipped to deal with them. We are looking forward to a year in 1976 when industry car and truck sales in the United States will be 20% better than 1975 and will be on an uptrend throughout the world. This high level of sales offers immense opportunities to General Motors. To you, the owners of our business, we pledge our dedicated efforts to take full advantage of these bright opportunities.

T. A. Murphy

Chairman

E. M. Estes

President

February 11, 1976

A Review of Operations

BUICK Regal Landau

United States retail deliveries of GM cars in the 1975 calendar year increased 0.9% over 1974, while truck deliveries were down 3.6%. Combined retail deliveries of GM cars and trucks totaled 4,827,900 units, slightly below the 4,834,500 delivered in 1974. GM accounted for 44% of all new passenger cars and 42% of all new trucks sold in the U.S. in 1975, compared with 42% and 40%, respectively, in 1974.

Chevrolet retained its leadership in 1975 as the number-one seller of passenger cars and trucks in the U.S., and Pontiac, Oldsmobile, Buick, and Cadillac each achieved higher retail deliveries in 1975, compared with 1974. Both Cadillac and GMC Truck & Coach dealers delivered more vehicles in December and the fourth quarter of 1975 than in any other comparable period in their history.

Retail deliveries of cars and trucks by GM of Canada were a record for the second consecutive year and totaled 516,000 units, 14% above 1974 deliveries. General Motors accounted for 39% of all new passenger cars and 41% of all new trucks sold in Canada in 1975, compared with 36% and 37%, respectively, in 1974.

Outside the U.S. and Canada, there were indications, particularly in the latter half of the year, that economic conditions in many overseas countries were improving. Based on estimated industry data for 1975, GM accounted for 7% of total car and truck sales overseas, somewhat above 1974. On a worldwide basis, we estimate that car and truck deliveries by GM dealers in 1975 accounted for 20% of total industry sales, slightly ahead of last year.

Fuel-Efficient 1976 GM Models

The 1976 line of passenger cars—the broadest and finest in GM history—provides exceptional value with further improvements in fuel efficiency. Based on Environmental Protection Agency data, in a mix of both city and highway driving, GM's 1976-model cars show a 38% improvement in gas mileage, on a sales-weighted basis, when compared with the average attained for our 1974 models.

General Motors has made more progress in improving gas mileage over the past two model years than any other manufacturer and is well on the way to achieving its voluntary goal of a sales-weighted 56% improvement in gas mileage by 1980, compared with 1974 models, at present emission standards. However, with the recent passage of the Energy Policy and Conservation Act, this improvement must be increased to 67% by 1980 to achieve an average level of 20 mpg. By 1985, the improvement must be 129% over GM's 1974 average to achieve the required level of 27.5 mpg. It is expected that these standards, unless amended, will cause significant disruptions to the auto industry, and to the economy.

GM's catalytic converter has been a key factor in achieving the improvements in gas mileage to date. The converter permits the engine to be retuned to higher levels of performance and efficiency and still effectively reduce exhaust emissions.

Substantial amounts were spent by GM during 1975 for research, engineering developments, testing, tools, and facilities to improve the fuel economy of GM vehicles. This includes weight reduction in our current vehicles through the use of new, improved, and lighter-weight components such as smaller engines, lighter-weight transmissions, and axle revisions. It also includes bringing to market new fuel-efficient vehicles such as the Chevrolet Chevette and the all-new family-size cars planned for 1977.

New Models Introduced

Chevrolet's new Chevette—smaller, lighter, and more fuel-efficient than any other car built in the U.S.—is an outstanding addition to GM's product line and enlarges the customer's choice of cars at the lower end of the price range. Other impressive additions to the product line include Cadillac's distinctive international-sized Seville and the Chevrolet Monza Towne Coupe and Pontiac Sunbird. Since the oil embargo two years ago, GM has introduced eight new smaller cars and ten new engines.

Overseas, GM also has an improved product line-up. In the fall of 1975, Adam Opel introduced new Ascona and Manta models in the important European intermediate-size group. Vauxhall also expanded and strengthened its model range with a new mid-size sedan and coupe series called the Cavalier. In addition, to meet competition, new models of smaller-size cars were added with the introduction of the Kadett City by Adam Opel and the Chevette by Vauxhall.

Forward Product Program

GM's forward product program will provide products by 1980 which will meet the increased consumer demand for smaller, more fuel-efficient cars. By 1980, the forward product program will alter the size, weight, and shape of every car model GM builds. For example, approximately 700 pounds will be taken out of GM's full-size cars, with some models being reduced by as much as 1,000 pounds.

Currently, about 20% of GM's North American-produced cars are classified at 3,500 pounds and under. By 1980, these lighter cars may well account for more than 70% of GM's sales. In addition to weight reduction of future models, the forward car program will trim down outside dimen-

sions without materially sacrificing interior roominess and will increase operating efficiency, and thereby fuel economy.

In 1975, GM's total worldwide capital expenditures, including special tools, amounted to over $2.2 billion, and we are projecting expenditures to approximate $2.6 billion in 1976. These expenditures will continue at a high level through 1980 with a larger percentage for tools, as opposed to facilities. Furthermore, future tool expenditures will be concentrated to a greater degree on new products instead of model changeovers.

GM's Factory Sales

Worldwide factory sales of General Motors cars and trucks (sales by GM to its dealers) in 1975 totaled 6,629,000 units, 61,000 below the 6,690,000 units sold in 1974. U.S. passenger car factory sales of 3,680,000 units in 1975 were up 2% over 1974 sales of 3,592,000 units, while factory sales of 978,000 trucks were 10% below the 1,086,000 units sold in 1974.

Factory sales of cars and trucks produced by GM of Canada totaled 595,000 units in 1975, 7% below the record 642,000 sold in 1974, and reflected a lower number of units exported to the U.S. In 1975, GM of Canada sold 258,000 vehicles imported from GM plants in the U.S. and exported 290,000 Canadian-built vehicles for sale in the U.S. Of the total units produced in Canada, 48,000 were exported to countries outside North America.

Factory sales of GM passenger cars and trucks produced overseas, together with sales of 142,000 exports from the U.S. and Canada, totaled 1,518,000 units in 1975, up 3% over the 1,473,000 units sold in 1974.

Adam Opel AG had factory sales of 686,000 vehicles in 1975, up 16% from 592,000 units in 1974, reflecting the upturn in industry-wide sales of passenger cars in Germany.

Vauxhall Motors Limited in England had factory sales of 201,000 Vauxhall cars and Bedford trucks in 1975, down 19% from the 250,000 units sold in 1974.

Factory sales by General Motors-Holden's Limited in Australia were 138,000 units in 1975, compared with 185,000 in 1974. In addition, Holden's produced 20,000 Gemini sedan and coupe models from both Australian components and from components imported from Isuzu Motors Limited, GM's Japanese associate company. GM-Holden's was the sales leader in Australia for the 23rd consecutive year, accounting for over 25% of all vehicles sold in that country.

In Latin America, 1975 sales reflected the effects of economic recession and severe inflation. Factory sales by General Motors do Brasil S.A. were 173,000 units, down 5% from the record 181,000 units sold in 1974. General Motors Argentina S.A. factory sales were 24,000 in 1975, compared with 28,000 units in 1974. General Motors de Mexico, S.A. de C.V. had factory sales of 37,000 units in 1975, slightly below the record 40,000 vehicles sold in 1974.

General Motors South African (Pty.) Limited factory sales of passenger cars and commercial vehicles were 31,000 units in 1975, equal to 1974 unit sales.

Significant GM overseas developments in 1975 included: the start of passenger car and commercial vehicle assembly by General Motors Zaire; the formation of General Motors Kenya Limited, a joint venture with the Government of Kenya for commercial vehicle assembly; and talks with the Polish Government on a possible business venture whereby Poland would produce a GM-designed van, with GM purchasing part of the production for sale in Western Europe.

Power and Appliance Products

Demand for GM's nonautomotive products, except for appliances, continued generally strong in 1975.

For the fourth consecutive year, Detroit Diesel Allison Division established record dollar sales for its heavy-duty diesel engines and transmissions.

Electro-Motive Division's dollar sales were at a record level for the fifth consecutive year, reflecting continued strong demand for locomotives and other large diesel engine applications.

TEREX Division's 1975 dollar sales were at a record level and increased 22% over 1974. Demand for large earthmoving equipment used in mining and energy-related projects was strong, while demand for small and medium-sized products used in road building and light construction softened throughout the industry.

Dollar sales of Frigidaire household appliances decreased 6% from 1974 and unit sales decreased 19%, reflecting the general pattern of the appliance industry.

Litigation

A civil action brought by the Justice Department charging General Motors and Ford Motor Company with a conspiracy during 1969-1970 to fix prices and to monopolize the automobile fleet sales business terminated in early 1975 when the Government did not appeal the dismissal of this action by the Federal District Court in Detroit. Private treble-damage class action suits brought by a number of states, various political subdivisions, and

PONTIAC Bonneville

certain rental and leasing companies have been consolidated for trial in the Federal District Court in Chicago.

The dismissal by the Federal District Court in Los Angeles of 35 class action suits filed against the major automobile companies and the Motor Vehicle Manufacturers Association has been on appeal in the U.S. Court of Appeals for the Ninth Circuit for over a year. The dismissed actions were brought by various states, cities, counties, and individuals alleging a conspiracy in violation of the antitrust laws to delay the development and installation of motor vehicle emission control devices. In January 1976, a suit for treble damages filed by AMF, Inc. against the same defendants was also dismissed by the District Court. That suit alleged that there was a conspiracy in the early 1960's to boycott an emission control device experimentally developed by the plaintiff and others.

Employment and Payrolls

GM's worldwide employment in 1975 averaged 681,000 men and women, compared with 734,000 in 1974. While employment was lower in 1975, total payrolls for the year increased to $10,028 million from $9,771 million in 1974. GM's worldwide employment in the 1975 fourth quarter averaged 732,000 with payrolls totaling $2,767 million. This compares with worldwide employment of 762,000 and payrolls of $2,617 million in the fourth quarter of 1974.

In response to improving auto sales, production increases resulted in recalls of workers from indefinite layoff in the latter half of the year. In February 1975, the number of hourly employes on indefinite layoff peaked at 137,500. By the end of 1975, the number had been reduced to approximately 44,600 with further reductions scheduled in the first quarter of 1976.

The average number of GM hourly employes in the U.S. in 1975 was 352,000 and payrolls totaled $5.6 billion, compared with 380,000 employes and payrolls of $5.4 billion in 1974. Hourly wages—including such items as vacation and holiday pay, but excluding benefit plan costs—averaged $7.96 per hour, compared with $7.20 in 1974. Including the cost of benefits, the average hourly labor cost at GM is now more than $10 per hour.

GM's total contributions for employe benefit programs in the U.S. reached a record $2.1 billion in 1975, compared with $2.0 billion in 1974.

Effective September 22, 1975, the majority of U.S. hourly employes received an improvement factor increase of from 12 to 26 cents per hour. In addition, these employes received increases totaling 37 cents per hour during 1975 as a result of cost-of-living allowance adjustments, the most recent being an increase of 10 cents per hour effective December 1, 1975. Most eligible salaried employes also received comparable cost-of-living allowance and performance improvement increases.

The increase in average straight-time wages during the GM-UAW agreement signed in 1973 totals $1.59 per hour. Almost two-thirds of this increase, 98 cents, is accounted for by increases under the cost-of-living allowance formula.

In keeping with GM's commitment to equal employment opportunity, representation of minorities and women has kept pace with the increase in the work force levels since March. Minority and women employment levels have generally been maintained in approximately the same proportions which had been achieved prior to the layoffs. As opportunities permit, GM expects to further its progress in this area.

On September 15, 1975, GM and the Department of Defense entered into a Nationwide Affirmative Action Program Format, or C^3 (Corporate Contracts Compliance) Agreement as it is commonly described. This agreement provides guidelines for preparing affirmative action programs on a nationwide basis in GM. These programs are designed to improve the representation of minorities and women in the work force.

Executive Changes

Effective December 1, 1975, Oscar A. Lundin, Vice Chairman of the Board, retired under provisions of the GM Retirement Program following a distinguished 42-year career with GM.

Roger B. Smith, Executive Vice President, was designated by the Board to succeed Mr. Lundin as Vice Chairman of the Finance Committee, effective December 1, 1975. The finance and insurance subsidiaries (General Motors Acceptance Corporation and Motors Insurance Corporation) and the Vice President, Coordinator of Pension Fund Investments, now report directly to Mr. Smith. He continues to have general responsibility over the Corporation's Financial, Industry-Government Relations, and Public Relations Staffs. Mr. Smith is also a member of the Executive Committee.

Frank O. Riley, Vice President and Group Executive in charge of the Automotive Components Group, retired effective January 1, 1976, after 40 years of valued service with General Motors.

Other executive and organization changes were reported in the 1975 Second and Third Quarter Reports.

OLDSMOBILE Delta 88 Royale

Financial Review

Dollar Sales

Throughout the world, dollar sales of GM products totaled $35.7 billion, the second best in history, compared with $31.5 billion in 1974 and the record $35.8 billion in 1973. Included in these sales were records of $2.4 billion for U.S. nonautomotive operations, $4.3 billion for Canadian operations, and $7.2 billion for overseas operations. These sales records compare with $2.2 billion, $3.7 billion, and $6.0 billion, respectively, in 1974 and $1.9 billion, $3.1 billion, and $5.8 billion in 1973.

Before elimination of intercompany sales among United States, Canadian, and overseas operations, United States operations accounted for 72% of worldwide dollar sales in 1975, with Canadian and overseas operations contributing 10% and 18%, respectively. The comparable percentages were 73%, 10%, and 17%, respectively, in 1974 and 77%, 8%, and 15% in 1973.

CHEVROLET Monte Carlo Landau

Earnings and Dividends

Net income in 1975 was $1,253 million and earnings on common stock were $4.32 per share, compared with $950 million and $3.27 per share, respectively, in 1974 and $2,398 million and $8.34 per share in 1973. Net income as a percent of sales increased to 3.5% from 3.0% in 1974, but was well below the 6.7% in 1973. The increase in earnings during 1975 of $1.05 per share reflected higher dollar volume and related factors which increased earnings by about $0.50 per share, with the remainder primarily attributable to the intensive Corporate-wide programs to reduce costs and improve operating efficiency, partially offset by increased costs of materials, purchased components, labor and related payroll taxes, and other economic cost factors, not recoverable in price.

Comparing 1974 with 1973, net income and earnings on common stock in 1974 decreased $1,448 million and $5.07 per share from the records of $2,398 million and $8.34 per share, respectively, set in 1973. The reduction in earnings during 1974 was primarily attributable to a decrease in volume and related factors of about $4.00 per share. The balance of the reduction was due primarily to an increase in the costs of materials, purchased components, labor and related payroll taxes, and other economic cost factors, not recoverable in price.

Looking at the three-year period as a whole, or comparing 1975 with 1973, the decrease in volume and related factors accounted for about $3.50 per share of the earnings decrease.

Comparing the fourth quarter of 1975 with that of 1974 and the record 1972 fourth quarter, worldwide factory sales totaled 1,965,000 units, an increase of 145,000 units or 8% from 1,820,000 units in the 1974 quarter and a decrease of 280,000 units or 12% from 2,245,000 units in the 1972 quarter. Dollar sales totaled a record $10,523 million, 12% or $1,127 million above the previous record of $9,396 million in the 1974 quarter. Net income was $618 million, or 5.9% of sales in the 1975 quarter, compared with $508 million, or 5.4% of sales, in the 1974 fourth quarter and $667 million, or 7.6% of sales, in the record 1972 quarter. Earnings per share of common stock were $2.14 in the fourth quarter of 1975, an increase of $0.38 over the $1.76 per share in the 1974 period and a decrease of $0.18 from the $2.32 per share in the record 1972 quarter.

Estimated net income attributable to United States operations was 85% of total net income in 1975, compared with 89% in 1974 and 86% in 1973, while that attributable to Canadian operations was 9% in 1975, compared with 11% in 1974 and 5% in 1973. Overseas operations contributed 6% of net income in 1975, compared with an approximate breakeven position in 1974 and 9% of net income in 1973. Of the estimated net income attributable to United States operations, more than 90% was accounted for by automotive products in each of the three years.

Dividends paid on the common stock totaled $2.40 per share in 1975, compared with $3.40 per share in 1974 and $5.25 per share in 1973.

Financing Operations

GM's financing operations, represented by General Motors Acceptance Corporation and its subsidiaries, contributed importantly to GM's 1975 results. GMAC reported a record consolidated net income for the year of $125 million. This compared with 1974 income of $89 million from current operations and $106 million when the cumulative prior year effect of a change in accounting is included.

Prices

At the start of the 1975 calendar year, industry and GM factory sales of 1975 model passenger cars were down substantially from the previous year. In January, in response to the market conditions and competitive moves, General Motors instituted a temporary rebate program to retail customers on most of its sub-compact and

CADILLAC Sedan deVille

compact car models in the U.S.

To build on the sales momentum generated by the rebate program, GM announced in late February that it would begin offering lower price versions of nine small car models.

In an effort to maintain the momentum of the recovery in automobile sales, consistent with the nation's goals of economic expansion and price stability, GM held price increases on 1976 models well below the level of cost increases of about $375 per average base car. In fact, the average price increase only recovered a little more than one-half of this cost increase.

At 1976-model introduction, General Motors increased suggested retail base passenger car prices an average of $206, or 4.4% over 1975 models. Wholesale prices to GM dealers on a 1976 base car with comparable standard equipment were increased by an average of $216, or 5.9%. The average retail price of GM's 1976 base trucks was increased $357, or 7.3%. These increases were well below the rate of recent increases in the Consumer Price Index and testified to GM's commitment to compete for an expanding market in 1976. This action was supported by the President's Council on Wage and Price Stability in its statement, "We believe General Motors' pricing decision is tailored to the current realities of the automobile marketplace."

Adjustments, principally downward, were also made in some of the base prices to reflect changes in standard equipment. On many models, equipment was made optional to lower the price on the base model and to give the customer wider latitude in equipping the car. Examples of equipment changed from standard to optional are steel-belted radial tires on most compact models and power brakes on selected sub-compact models. In some instances equipment was added, but the net effect was to minimize the base price increases. Effective January 1, 1976, certain light-duty truck model retail prices were increased due to the addition of a three-point seat belt system mandated by Federal safety standards.

Taxes

The provision for United States, foreign and other income taxes in 1975 was $1,118 million, compared with $727 million in 1974 and $2,115 million in 1973. Together with other state and local taxes and General Motors' share of social security taxes, the total tax provision in 1975 was $2,336 million, compared with $1,869 million in 1974 and $3,206 million in 1973. In 1975, the total tax provision was equivalent to $1.86 for every dollar of net income and $8.14 per share of common stock, which compares with $1.97 for every dollar of net income and $6.53 per share in 1974 and $1.34 and $11.21, respectively, in 1973.

Expenditures for Plants, Equipment and Special Tools and Depreciation

Expenditures for plants and equipment throughout the world totaled $1,201 million in 1975, and provided for capacity expansion, modernization, plant replacements, and new-model programs. These expenditures received careful review to insure that they were absolutely necessary, as will all future expenditures. Of these expenditures, approximately 81% were made in the United States, 4% in Canada and 15% overseas. In 1974, spending for plants and equipment totaled a record $1,458 million.

Depreciation charged to income in 1975 was $906 million, compared with $847 million in 1974.

Expenditures for special tools were $1,036 million in 1975 and $1,096 million in 1974. Tool amortization amounted to $1,180 million in 1975 and $858 million in 1974.

Working Capital

Working capital at December 31, 1975, totaled $6,394 million, an increase of $852 million over the $5,542 million at December 31, 1974. The increase in 1975 is more than accounted for by the proceeds from issuance of long-term debt of $753 million and the excess of net income over dividends paid to stockholders of $552 million. Partially offsetting these increases are decreases due to retirements of long-term debt of $406 million and a net increase of $53 million in real estate, plants and equipment, and special tools. A statement setting forth the changes in working capital by element appears on page 14.

Common Stockholders' Equity

The equity of the holders of General Motors common stock is represented by the common stock, capital surplus, and net income retained for use in the business. This amounted to $12,799 million at the end of 1975, compared with $12,247 million at the end of 1974. Book value per share of General Motors common stock increased to $44.50 at the end of 1975, from $42.58 at the end of 1974.

Statement of Consolidated Income

for the years ended December 31, 1975 and 1974

	1975	1974
Net Sales	$35,724,911,215	$31,549,546,126
Equity in earnings of nonconsolidated subsidiaries and associates (dividends received amounted to $67,649,945 in 1975 and $65,649,711 in 1974)	136,577,410	114,423,643
Other income less income deductions (net deduction in 1975) (Note 2)	(147,695,735)	6,667,025
Total	35,713,792,890	31,670,636,794
Costs and Expenses		
Cost of sales and other operating charges, exclusive of items listed below	29,889,729,147	26,918,749,752
Selling, general and administrative expenses	1,333,720,820	1,363,921,772
Depreciation of real estate, plants and equipment	906,114,752	846,574,978
Amortization of special tools	1,180,070,069	858,369,689
Provision for the Incentive Program (Note 11)	32,866,137	5,851,240
United States, foreign and other income taxes (Note 3)	1,118,200,000	727,100,000
Total	34,460,700,925	30,720,567,431
Net Income	1,253,091,965	950,069,363
Dividends on preferred stocks	12,928,265	12,928,266
Earned on Common Stock	$ 1,240,163,700	$ 937,141,097
Average number of shares of common stock outstanding	286,838,592	286,289,679
Earned Per Share of Common Stock (Note 12)	$4.32	$3.27

Reference should be made to notes on pages 15 through 19.

Consolidated Balance Sheet

December 31, 1975 and 1974

Assets	1975	1974
Current Assets		
Cash	$ 357,470,570	$ 400,626,489
United States and other government securities and time deposits—at cost, which approximates market:		
Held for payment of income taxes	787,972,833	303,389,424
Other	2,237,373,575	634,342,398
Accounts and notes receivable (Note 4)	3,342,697,338	3,000,816,886
Inventories	5,690,892,746	6,404,702,228
Prepaid expenses	423,086,553	306,328,780
Total Current Assets	12,839,493,615	11,050,206,205
Investments and Miscellaneous Assets		
Equity in net assets of nonconsolidated subsidiaries and associates (Note 5)	1,498,852,038	1,416,857,436
Other investments and miscellaneous assets—at cost (less allowances)	125,361,365	134,704,509
Total Investments and Miscellaneous Assets	1,624,213,403	1,551,561,945
Common Stock Held for the Incentive Program (Note 6)	62,641,489	86,698,431
Property		
Real estate, plants and equipment (Note 7)	17,503,583,496	16,808,456,667
Less accumulated depreciation (Note 7)	11,091,109,004	10,592,991,565
Net real estate, plants and equipment	6,412,474,492	6,215,465,102
Special tools—less amortization	673,405,801	817,883,143
Total Property	7,085,880,293	7,033,348,245
Deferred Charges		
Goodwill—less amortization	26,061,688	32,468,434
Deferred income taxes and other deferred charges	26,594,106	119,266,754
Total Deferred Charges	52,655,794	151,735,188
Total Assets	$21,664,884,594	$19,873,550,014

Reference should be made to notes on pages 15 through 19.

Certain amounts for 1974 have been reclassified to reflect comparability with classifications for 1975.

Liabilities, Reserves and Stockholders' Equity	1975	1974
Current Liabilities		
Accounts, drafts and loans payable	$ 3,187,012,203	$ 3,005,887,309
United States, foreign and other income taxes payable	842,097,047	357,802,060
Accrued liabilities	2,416,361,326	2,144,588,313
Total Current Liabilities	6,445,470,576	5,508,277,682
Long-Term Debt (less unamortized discount) (Note 8)	1,223,064,579	876,563,560
Other Liabilities	396,716,921	430,385,378
Deferred Credits and Reserves		
Deferred investment tax credits	241,049,345	189,115,478
Contingent credits under Stock Option Plan	8,100,000	11,443,157
General reserve applicable to foreign operations	141,667,396	141,667,396
Other deferred credits and reserves (Note 9)	126,451,110	185,500,785
Total Deferred Credits and Reserves	517,267,851	527,726,816
Stockholders' Equity (Notes 10 and 11)		
Capital stock:		
Preferred:		
$5.00 series	183,564,400	183,564,400
$3.75 series	100,000,000	100,000,000
Common	479,361,735	479,361,735
Total capital stock	762,926,135	762,926,135
Capital surplus (principally additional paid-in capital)	766,979,178	766,979,178
Net income retained for use in the business	11,552,459,354	11,000,691,265
Total Stockholders' Equity	13,082,364,667	12,530,596,578
Total Liabilities, Reserves and Stockholders' Equity	$21,664,884,594	$19,873,550,014

Statement of Changes in Consolidated Financial Position

for the years ended December 31, 1975 and 1974

General Motors Corporation
and Consolidated Subsidiaries

	1975	1974
Source of Funds		
Net income	$1,253,091,965	$ 950,069,363
Depreciation of real estate, plants and equipment	906,114,752	846,574,978
Amortization of special tools	1,180,070,069	858,369,689
Deferred income taxes, undistributed earnings of nonconsolidated subsidiaries and associates, etc.—net	65,699,596	106,373,163
Total current operations	3,404,976,382	2,761,387,193
Proceeds from disposals of property	97,765,120	66,990,959
Proceeds from issuance of long-term debt (less discount)	752,795,190	241,968,490
Total	4,255,536,692	3,070,346,642
Application of Funds		
Dividends paid to stockholders	701,323,876	986,249,412
Expenditures for real estate, plants and equipment	1,200,889,262	1,458,453,166
Expenditures for special tools	1,035,592,727	1,095,595,289
Retirements of long-term debt	406,294,171	121,922,737
Investments in nonconsolidated subsidiaries and associates	13,067,137	13,586,495
Other—net	46,275,003	49,462,195
Total	3,403,442,176	3,725,269,294
Increase (Decrease) in working capital	852,094,516	(654,922,652)
Working capital at beginning of the year	5,541,928,523	6,196,851,175
Working capital at end of the year	$6,394,023,039	$5,541,928,523
Increase (Decrease) in Working Capital by Element		
Cash, government securities and time deposits	$2,044,458,667	($1,707,744,933)
Accounts and notes receivable	341,880,452	(81,686,584)
Inventories	(713,809,482)	1,227,805,771
Prepaid expenses	116,757,773	(14,582,233)
Accounts, drafts and loans payable	(181,124,894)	(270,297,335)
United States, foreign and other income taxes payable	(484,294,987)	247,504,236
Accrued liabilities	(271,773,013)	(55,921,574)
Increase (Decrease) in working capital	$ 852,094,516	($ 654,922,652)

Reference should be made to notes on pages 15 through 19.

Certain amounts for 1974 have been reclassified to reflect comparability with classifications for 1975.

Note 1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all domestic and foreign subsidiaries which are more than 50% owned and engaged principally in manufacturing or wholesale marketing of General Motors products. General Motors' share of earnings or losses of nonconsolidated subsidiaries and of associates in which at least 20% of the voting securities is owned is generally included in consolidated income under the equity method of accounting. Intercompany items and transactions between companies included in the consolidation are eliminated and unrealized intercompany profits on sales to nonconsolidated subsidiaries and to associates are deferred.

Translation of Foreign Currencies

Real estate, plants and equipment, accumulated depreciation and the provision for depreciation are translated into United States dollars at exchange rates in effect at the dates the related assets were acquired. Other assets, liabilities and deferred credits and reserves are translated at exchange rates in effect at the date of the balance sheet; other items of income and expense are translated at average exchange rates for the months in which the transactions occurred. Accumulated unrealized net loss from translation of foreign currency accounts of any foreign subsidiary is charged to income and accumulated unrealized net gain is deferred. Gains or losses on significant exchange contracts are included in costs and expenses currently.

Income Taxes

Investment tax credits allowable under the income tax laws are deducted in determining taxes estimated to be payable currently and are deferred and amortized over the lives of the related assets. The tax effects of timing differences between pretax accounting income and taxable income (principally related to depreciation, benefit plans expense, sales and product allowances and undistributed earnings of subsidiaries and associates) are deferred, except that the tax effects of certain expenses charged to income prior to 1968 have not been deferred but are recognized in income taxes provided at the time such expenses become allowable deductions for tax purposes. Provisions are made for estimated United States and foreign taxes, less available tax credits and deductions, which may be incurred on remittance of the Corporation's share of subsidiaries' and associates' undistributed earnings included in the consolidated financial statements.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined substantially by the first-in, first-out or the average cost method. Market value is current sales price less distribution cost for finished product and replacement cost for other inventories. Physical inventories are taken at all locations.

Common Stock Held for the Incentive Program

Common stock in treasury is held exclusively for payment of liabilities under the Incentive Program and is stated substantially at cost.

Property, Depreciation and Amortization

Property is stated at cost. Maintenance, repairs, rearrangement expenses and renewals and betterments which do not enhance the value or increase the basic productive capacity of the assets are charged to costs and expenses as incurred.

Depreciation is provided on groups of property using, with minor exceptions, an accelerated method which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property. The annual group rates of depreciation are as follows:

Classification of Property	*Annual Group Rates*
Land improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

In 1974, a modification of depreciation policies, which had the effect of depreciating the cost of certain groups of property more nearly over the service lives of the assets, reduced depreciation expense by $97 million.

Expenditures for special tools are amortized, with the amortization applied directly to the asset account, over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and appearance of the product. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Goodwill

Goodwill represents the excess of the cost over the value ascribed to the net tangible assets of businesses acquired and is amortized over ten years with the amortization applied directly to the asset account. Amortization amounted to $6,415,146 in 1975 and $6,427,346 in 1974.

Incentive Program

A reserve is maintained for purposes of the Bonus Plan and Stock Option Plan to which may be credited each year a maximum amount which the independent public accountants of the Corporation determine in accordance with the provisions of the Bonus Plan; however, for any year, the Bonus and Salary Committee may direct that a lesser amount be credited. Bonus awards under the Bonus Plan, contingent credits under the Stock Option Plan and such other amounts arising out of the operation of the Incentive Program as the Committee may determine are charged to the reserve. As a result of tentative determinations of awards by the Committee, the amount provided is transferred to current liabilities, other liabilities and deferred credits at December 31.

If Bonus and Stock Option Plan participants fail to meet conditions precedent to receiving undelivered instalments of bonus awards and contingent credits, the amount of any such instalments is credited to income. Upon the exercise of stock options, the related contingent credits are proportionately reduced and the amount of the reduction is credited to income.

General Reserve Applicable to Foreign Operations

The general reserve applicable to foreign operations was established in 1954. There has been no change in this reserve since its establishment.

Notes to Financial Statements (continued)

Note 1. Significant Accounting Policies (concluded)

Pension Program

The Corporation and its subsidiaries have a number of pension plans covering substantially all employes. Benefits under the plans are generally related to an employe's length of service, wages and salaries, and, where applicable, contributions. The costs of these plans are determined on the basis of actuarial cost methods and include amortization of prior service cost over periods not exceeding 30 years. With the exception of certain overseas subsidiaries, pension costs accrued are funded.

Product Related Expenses

Expenditures for advertising and sales promotion and for other product related expenses are charged to costs and expenses as incurred; provisions for estimated costs related to product warranty are made at the time the products are sold.

Accounting Statements

The Financial Accounting Standards Board issued Statements on Accounting for Contingencies, in March 1975, and Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements, in October 1975, which, for General Motors, are effective for the 1976 calendar year. General Motors is reviewing these Statements which are not expected to have a material effect upon the financial statements.

Note 2. Other Income Less Income Deductions

	1975	1974
Other income:		
Interest income	$ 132,686,194	$ 166,989,616
Other	47,248,884	29,606,184
Income deductions:		
Interest and related charges on long-term debt	(103,550,876)	(77,940,292)
Other interest	(190,384,838)	(84,802,411)
Net loss on translation of financial statements in foreign currencies (a)	(27,113,414)	(45,582,291)
Other	(6,581,685)	18,396,219
Net	($ 147,695,735)	$ 6,667,025

(a) In addition, net translation losses of $40,899,173 in 1975 and $14,770,612 in 1974 were charged to Other Deferred Credits and Reserves.

Note 3. United States, Foreign and Other Income Taxes

	1975	1974
Taxes estimated to be payable currently (b):		
United States Federal	$ 856,986,220	$ 329,664,925
Foreign	143,611,800	126,916,078
Other ($51,500,000 for 1974 largely offset by adjustments to prior years' accruals)	140,200,000	600,000
Total	1,140,798,020	457,181,003
Taxes deferred—net:		
United States Federal	(92,958,220)	248,334,075
Foreign	35,626,333	(17,997,320)
Other	(17,200,000)	29,300,000
Total	(74,531,887)	259,636,755
Investment tax credits deferred—net of amortization:		
United States Federal	52,272,000	10,101,000
Foreign	(338,133)	181,242
Total	51,933,867	10,282,242
Total	$1,118,200,000	$ 727,100,000

(b) Investment tax credits deducted in determining taxes estimated to be payable currently amounted to $95,301,093 in 1975 and $57,450,800 in 1974.

Note 4. Accounts and Notes Receivable

	1975	1974
General Motors Acceptance Corporation and subsidiaries (relating to current wholesale financing of sales of General Motors products, etc.)	$1,639,392,955	$1,359,792,896
Other trade and sundry receivables (less allowances)	1,703,304,383	1,641,023,990
Total	$3,342,697,338	$3,000,816,886

Note 5. Equity in Net Assets of Nonconsolidated Subsidiaries and Associates

	1975	1974
Nonconsolidated subsidiaries:		
General Motors Acceptance Corporation and subsidiaries (See page 21)	$1,250,617,638	$1,187,332,411
Dealerships operating under dealership assistance plans (retail companies)	118,421,744	108,581,712
Other domestic and foreign subsidiaries	46,170,125	30,229,903
Associates (interests in overseas companies)	83,642,531	90,713,410
Total	$1,498,852,038	$1,416,857,436

Note 6. Common Stock Held for the Incentive Program

	1975 Shares	1975 Amount	1974 Shares	1974 Amount
Balance at beginning of the year	1,223,166	$86,698,431	1,886,888	$137,407,501
Acquired during the year	233,326	12,957,656	70,900	3,556,657
Delivered to participants during the year	(514,513)	(37,014,598)	(734,622)	(54,265,727)
Balance at end of the year:				
Held for instalment deliveries of bonus awards and contingent credits related to prior years	530,445	37,984,308	950,415	68,351,323
Available for contingent credits related to outstanding stock options	91,452	6,643,873	153,288	11,443,157
Available for current bonus awards and contingent credits	320,082	18,013,308	119,463	6,903,951
Total	941,979	$62,641,489	1,223,166	$ 86,698,431

Note 7. Real Estate, Plants and Equipment and Accumulated Depreciation

	1975	1974
Real estate, plants and equipment:		
Land	$ 248,044,679	$ 247,778,103
Land improvements	589,474,841	546,176,357
Leasehold improvements—less amortization	28,389,540	25,061,275
Buildings	4,291,868,155	4,070,429,327
Machinery and equipment	11,586,565,467	10,957,876,467
Furniture and office equipment	157,253,016	238,842,532
Construction in progress.	601,987,798	722,292,606
Total	$17,503,583,496	$16,808,456,667
Accumulated depreciation:		
Land improvements	$ 352,770,784	$ 327,117,831
Buildings	2,446,730,325	2,308,058,108
Machinery and equipment	8,149,394,667	7,737,842,390
Furniture and office equipment	92,883,098	170,643,106
Extraordinary obsolescence	49,330,130	49,330,130
Total	$11,091,109,004	$10,592,991,565

Note 8. Long-Term Debt (Less Current Portion)

		1975	1974
General Motors Corporation—United States dollars:			
8.05% Notes	1985	$ 300,000,000	$ —
8⅝% Debentures	2005	300,000,000	—
Other	1977-2000	127,141,261	122,563,832
Consolidated subsidiaries:			
United States dollars	1977-86	354,980,556	376,107,628
Canadian dollars	—	—	50,450,000
German marks	1977-79	72,628,100	184,675,000
Swiss francs	—	—	61,480,000
British pounds	1977-92	52,624,000	46,920,000
French francs	1977-81	7,515,200	5,069,300
Brazilian cruzeiros	1977-81	4,469,700	16,852,000
Venezuelan bolivars	1977-80	2,416,700	5,170,700
Other currencies	1977-2004	8,597,500	7,275,100
Total		1,230,373,017	876,563,560
Less unamortized discount		7,308,438	—
Total		$ 1,223,064,579	$ 876,563,560

Maturities of long-term debt at December 31, 1975 for each of the five years through 1980 are: 1976—$251,939,988 (included in current liabilities); 1977—$216,675,701; 1978—$49,812,998; 1979—$129,297,364; and 1980—$27,867,670.

Note 9. Other Deferred Credits and Reserves

	1975	1974
Deferred intercompany profits arising from sales to nonconsolidated subsidiaries	$ 65,256,838	$ 72,659,832
Deferred gains on translation of foreign currency accounts of foreign subsidiaries	47,330,924	88,230,097
Other deferred income	6,857,233	3,809,221
Miscellaneous reserves	7,006,115	20,801,635
Total	$ 126,451,110	$ 185,500,785

Note 10. Stockholders' Equity

	1975	1974
Capital Stock:		
Preferred Stock, without par value (authorized, 6,000,000 shares), no change during the year:		
$5.00 series, stated value $100 per share, redeemable at $120 per share (issued, 1,875,366 shares; in treasury, 39,722 shares; outstanding, 1,835,644 shares)	$ 183,564,400	$ 183,564,400
$3.75 series, stated value $100 per share, redeemable at $100 per share (issued and outstanding, 1,000,000 shares)	100,000,000	100,000,000
Common Stock, $1⅔ par value (authorized, 500,000,000 shares; issued, 287,617,041 shares), no change during the year	479,361,735	479,361,735
Total capital stock	762,926,135	762,926,135
Capital Surplus (principally additional paid-in capital), no change during the year	766,979,178	766,979,178
Net Income Retained for Use in the Business:		
Balance at beginning of the year	11,000,691,265	11,036,871,314
Net income	1,253,091,965	950,069,363
Total	12,253,783,230	11,986,940,677
Cash dividends:		
Preferred stock, $5.00 series, $5.00 per share	9,178,220	9,178,220
Preferred stock, $3.75 series, $3.75 per share	3,750,045	3,750,046
Common stock, $2.40 per share in 1975 and $3.40 per share in 1974	688,395,611	973,321,146
Total cash dividends	701,323,876	986,249,412
Balance at end of the year	11,552,459,354	11,000,691,265
Total Stockholders' Equity	$13,082,364,667	$12,530,596,578

Note 11. Incentive Program

For the year 1975, the Bonus and Salary Committee directed a credit to the Reserve for Bonus Plan and Stock Option Plan of $32,866,137 (the maximum permitted under the Bonus Plan formula as set forth on page 20). In addition, the Committee has directed that $930,000 of the unawarded balance in the reserve carried forward from 1974 be made available for the distribution related to 1975. Subject to final determination, the Committee has tentatively directed that the total of individual awards shall approximate the amount of the credit to the reserve related to 1975 plus the aforementioned $930,000. As a result, $33,796,137 was transferred to current liabilities, other liabilities and deferred credits. The balance of the unawarded bonus reserve carried forward from 1974 in the amount of $621,173 was, in accordance with action taken by the Bonus and Salary Committee, restored to income in 1975, but was not included in net earnings for that year in determining the provision for the Bonus and Stock Option Plan.

Changes during 1975 in the status of options granted under the Stock Option Plan are shown in the following table.

The option prices are 100% of the average of the highest and lowest sales prices on the New York Stock Exchange on the dates the options were granted. The options outstanding at December 31, 1975 expire ten years from date of grant. All options are subject to earlier termination under certain conditions.

The Corporation intends to deliver newly issued stock upon the exercise of any of the outstanding options. The maximum number of shares for which additional options might be granted under the Plan was 2,449,363 at January 1, 1975 and 2,657,593 at December 31, 1975.

		Shares Under Option			
			Changes During Year		
Year Granted	Option Price	Jan. 1, 1975	Exercised	Terminated	Dec. 31, 1975
1970	$69.82	162,786	—	162,786	—
1973	73.38	261,168	—	31,272	229,896
1974	50.00	332,988	—	14,172	318,816
Total		756,942	—	208,230	548,712

Note 12. Earnings Per Share

Earnings per share of common stock are based on the average number of shares outstanding during each year. The effect on earnings per share resulting from the assumed exercise of outstanding options and delivery of bonus awards and contingent credits under the Incentive Program is not material.

Note 13. Foreign Operations

Net assets, sales and income attributable to operations outside the United States and Canada, included in the consolidated financial statements, are summarized in the table on page 19. Net sales include sales to United States and Canadian operations. Net income is after provisions for deferred income taxes on unremitted earnings of such foreign operations and other consolidation adjustments and, in 1975, includes earnings (loss) attributable to the major overseas manufacturing subsidiaries, as follows: Adam Opel AG, $54 million; General Motors-Holden's Limited, $26 million; and Vauxhall Motors Limited, ($17 million).

Note 13. Foreign Operations (concluded)

Net Assets Attributable to Operations Outside the United States and Canada

	December 31, 1975				
	Western Europe	United Kingdom, Australia, New Zealand and South Africa	Other, Principally Mexico and South America	Total	December 31, 1974 Total
	(In Millions)				
Assets:					
Total current assets	$ 993	$ 933	$ 790	$2,716	$2,633
Real estate, plants and equipment	1,401	1,003	507	2,911	2,769
Accumulated depreciation	(934)	(746)	(191)	(1,871)	(1,768)
Special tools—less amortization	130	103	23	256	297
Other assets	25	20	164	209	223
Total assets	1,615	1,313	1,293	4,221	4,154
Liabilities:					
Bank borrowings and notes payable	176	247	314	737	798
Other current liabilities	437	367	232	1,036	919
Total current liabilities	613	614	546	1,773	1,717
Long-term debt of subsidiaries	166	70	171	407	674
Other liabilities and reserves	274	79	24	377	371
Total liabilities	1,053	763	741	2,557	2,762
Balance	$ 562	$ 550	$ 552	1,664	1,392
Less General Reserve Applicable to Foreign Operations				142	142
Attributable to Operations Outside the United States and Canada:					
Net Assets				$1,522	$1,250
Net Sales				$7,227	$5,969
Net Income				$ 72	$ —

Note 14. Research and Development

Expenditures for research and development are charged to expenses as incurred and amounted to $1.1 billion in 1975 and $1.1 billion in 1974.

Note 15. Pension Program

The total pension expense of the Corporation and its consolidated subsidiaries amounted to $969 million in 1975 and $819 million in 1974. Based on a review of the Employee Retirement Income Security Act of 1974, it is expected that this law will have no material effect upon the cost of the pension plans. The actuarially computed value of vested benefits of all plans exceeded the total of pension funds, at market, and balance sheet accruals as of December 31, 1975, by about $2.9 billion.

Note 16. Contingent Liabilities

There are various claims and pending actions against the Corporation and its subsidiaries in respect of commercial matters, including warranties and product liability, governmental regulations including environmental and safety matters, civil rights, patent matters, taxes and other matters arising out of the conduct of the business. Certain of these actions purport to be class actions, seeking damages in very large amounts. The amounts of liability on these claims and actions at December 31, 1975 were not determinable but, in the opinion of the management, the ultimate liability resulting will not materially affect the consolidated financial position or results of operations of the Corporation and its consolidated subsidiaries.

Accountants' Report

Haskins & Sells
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

General Motors Corporation, its Directors and Stockholders:

February 11, 1976

We have examined the Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1975 and 1974 and the related Statements of Consolidated Income and Changes in Consolidated Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

Pension Funds Held by Trustees in the United States

Under the Hourly-Rate Pension Plan and the Trusteed Part of the Retirement Program for Salaried Employes

Funds at December 31, 1974—with securities valued at cost		$4,325,847,814
Additions during 1975:		
Payments by General Motors into trusts	$ 818,100,000	
Interest and dividends received	237,354,119	
Net losses realized on sales of securities	(39,427,459)	
Net additions before pension payments	1,016,026,660	
Pension payments during 1975	549,620,284	466,406,376
Funds at December 31, 1975—with securities valued at cost		$4,792,254,190

Note: Payments in 1975 by General Motors into trusts, managed by a group of independent banks, include an estimated $444 million attributable to prior service benefits provided under the original plan and subsequent amendments. The funds in these trusts, which include amounts applicable to nonconsolidated subsidiaries, are invested in a wide range of equity and fixed interest securities including an insurance company investment contract in the amount of $133 million. These funds are held for payment of pension benefits and are not the property of the Corporation or any of its subsidiaries. In addition to the funds held by the trustees, three insurance companies administer the insured part of the U.S. salaried employes' retirement program.

Incentive Program. The Incentive Program consists of the General Motors Bonus Plan, first approved by stockholders in 1918, and the General Motors Stock Option Plan, adopted in 1957. The By-Laws provide that the Plans shall be presented for action at a stockholders' meeting at least once in every five years. In that connection, both Plans were approved by the stockholders at the 1972 Annual Meeting.

The Corporation maintains a reserve for purposes of the Bonus Plan and the Stock Option Plan, to which may be credited each year an amount which the independent public accountants of the Corporation determine to be 8% of the net earnings which exceed 7% but not 15% of net capital, plus 5% of the net earnings which exceed 15% of net capital, but not in excess of the amount paid out as dividends on the common stock during the year. However, for any year the Bonus and Salary Committee may direct that a lesser amount be credited. Bonus awards under the Bonus Plan, contingent credits under the Stock Option Plan, and such other amounts arising out of the operation of the Incentive Program as the Committee may determine are charged to the reserve.

Maximum Amount which may be Credited to the Reserve As Determined by the Independent Public Accountants:

Computation of net capital:		
Amounts at December 31, 1974 included in the Consolidated Balance Sheet, page 13:		
Total stockholders' equity		$12,530,596,578
Long-term debt of General Motors Corporation		124,505,669
Total		12,655,102,247
Add proportionate allowance for net increase during the year in capital stock, capital surplus and debt—Increase arising from net increase in long-term debt of General Motors Corporation in the principal amount of $605,180,914		436,666,195
Net capital (as defined in the Bonus Plan)		$13,091,768,442
Computation of net earnings for determination of credit:		
Net income reported in the Statement of Consolidated Income, page 11		$ 1,253,091,965
Add amounts charged to income:		
Provision for Bonus Plan and Stock Option Plan		32,866,137
Interest and discount on long-term debt of General Motors Corporation		42,263,440
Total		1,328,221,542
Deduct amounts credited to income:		
Portions of prior years' bonus awards which could not continue to be earned under the terms of the Bonus Plan	$317,806	
Reduction in contingent credits resulting from loss of rights under the Stock Option Plan during the year	32,063	
Portion of unawarded bonus reserve restored to income	621,173	971,042
Net earnings (as defined in the Bonus Plan)		1,327,250,500
Deduct 7% on net capital (equivalent to $3.01 per share of common stock)		916,423,791
Portion of net earnings upon which the maximum credit to the reserve is computed—Net earnings between 7% and 15% of net capital		$ 410,826,709
Maximum amount which may be credited to the reserve:		
8% of the net earnings between 7% and 15% of net capital		$ 32,866,137

Amount Available for Bonus Awards and Contingent Credits:

Credit to the reserve as directed by the Bonus and Salary Committee	$ 32,866,137
Add unawarded balance in reserve carried forward from 1974	1,551,173
Deduct portion of unawarded bonus reserve restored to income in 1975	621,173
Total amount available in the reserve for awards under the Bonus Plan and for contingent credits under the Stock Option Plan	$ 33,796,137

Provisions for Bonus Plan and Stock Option Plan:

There are shown below the provisions for the Bonus Plan and the Stock Option Plan before giving effect to the resulting reductions in income taxes.

1966	$114,000,000	1968	$111,000,000	1970	—	1972	$101,357,691	1974	$ 5,851,240
1967	$107,000,000	1969	$110,000,000	1971	$90,000,000	1973	$112,823,495	1975	$32,866,137

General Motors Acceptance Corporation
and Subsidiaries

Condensed Consolidated Balance Sheet
December 31, 1975 and 1974

Assets	1975	1974
Cash	$ 247,336,638	$ 271,292,640
Marketable Securities (market value, 1975—$347,085,227; 1974—$251,907,529)	312,944,924	237,504,900
Finance Receivables (including instalments maturing after one year: 1975—$5,403,826,339; 1974—$4,708,802,838; less unearned income: 1975—$1,026,470,016; 1974—$865,035,983 and reserves for losses: 1975—$145,423,640; 1974—$131,578,539)	15,561,582,748	14,531,312,314
Insurance Receivables	25,882,201	25,860,086
Unamortized Debt Expense	22,709,165	19,941,136
Other Assets	66,394,699	67,236,814
Total Assets	$16,236,850,375	$15,153,147,890

Liabilities, Reserves and Stockholder's Equity			1975	1974
Notes, Loans and Debentures Payable Within One Year (less unamortized discount: 1975—$21,524,866; 1974—$22,450,728)			$ 7,812,974,770	$ 7,473,280,458
Accounts Payable, Accrued Liabilities and Reserves				
General Motors Corporation and affiliated companies			1,639,392,955	1,359,792,896
Dealers			127,068,051	116,537,508
United States and foreign income and other taxes			96,171,115	50,242,062
Interest			110,070,513	119,994,977
Unearned insurance premiums			149,788,582	137,871,123
Insurance losses and claims			39,148,365	39,137,386
Other			58,245,365	59,982,252
Total Accounts Payable, Accrued Liabilities and Reserves			2,219,884,946	1,883,558,204
Notes, Loans and Debentures Payable After One Year (maturing prior to 2000—less unamortized discount: 1975—$9,829,193; 1974—$10,693,486)			3,988,373,021	3,843,976,817
Subordinated Indebtedness Payable After One Year (maturing prior to 1993)			965,000,000	765,000,000
Stockholder's Equity				
Preferred stock, $100 par value (authorized and outstanding, 1,100,000 shares):				
6% cumulative			75,000,000	75,000,000
$7\frac{1}{4}$% cumulative			35,000,000	35,000,000
Common stock, $100 par value (authorized and outstanding, 5,150,000 shares)			515,000,000	515,000,000
Net income retained for use in the business:	Year 1975	Year 1974		
Balance at beginning of the year	$562,332,411	$518,389,893		
Net income	125,322,727	105,980,018		
Total	687,655,138	624,369,911		
Cash dividends	62,037,500	62,037,500		
Balance at end of the year			625,617,638	562,332,411
Total Stockholder's Equity			1,250,617,638	1,187,332,411
Total Liabilities, Reserves and Stockholder's Equity			$16,236,850,375	$15,153,147,890

Effective in 1974, income from insurance operations has been determined in accordance with accounting principles now regarded as generally accepted for casualty insurance companies. Formerly, income from insurance operations was determined substantially on a statutory basis. Net income for 1974 includes a $16.5 million credit representing the cumulative effect of this change as of January 1, 1974.

The above condensed balance sheet has been summarized from the financial statements appearing in the Annual Report of General Motors Acceptance Corporation as to which an opinion concurring with the above change has been expressed by Haskins & Sells, independent public accountants.

Supplementary Information

General Motors is a highly integrated business engaged primarily in the manufacture, assembly and distribution of motor-driven products, most of which relate to transportation equipment, which are classified as automotive, nonautomotive and defense and space. The major portion of General Motors products is marketed through independent dealers in the United States and

Summary of Operations (Dollars in Millions Except Per Share Amounts)	**1975**	**1974**	**1973**
Net sales	$35,724.9	$31,549.5	$35,798.3
Equity in earnings of nonconsol. subs. and associates, and other income (net)	(11.1)	121.1	253.7
Cost of sales and selling, general and admin. expenses, excluding items below	31,223.4	28,282.5	29,442.2
Depreciation of real estate, plants and equipment	906.1	846.6	902.9
Amortization of special tools	1,180.1	858.4	1,081.0
Provision for the Incentive Program	32.9	5.9	112.8
United States, foreign and other income taxes	1,118.2	727.1	2,115.0
Net income	1,253.1	950.1	2,398.1
Dividends on preferred stocks	12.9	12.9	12.9
Earned on common stock	1,240.2	937.2	2,385.2
Dividends on common stock	688.4	973.3	1,501.3
Net income retained in the year for use in the business	$ 551.8	($ 36.1)	$ 883.9
Net income—percent to sales	3.5%	3.0%	6.7%
Earned on common stock—per share	$ 4.32	$ 3.27	$ 8.34
Dividends on common stock—per share	2.40	3.40	5.25
Net income retained in the year for use in the business—per share	$ 1.92	($ 0.13)	$ 3.09
Average number of shares of common stock outstanding (in millions)	286.8	286.3	286.0
Dividends on preferred and common stocks as percent to net income	56.0%	103.8%	63.1%

Management's discussion and analysis of operations for 1975, 1974 and 1973 appear on page 9.

Additional Statistics (Dollars in Millions Except Per Share Amounts)			
Expenditures for plants and equipment	$ 1,200.9	$ 1,458.5	$ 1,163.4
Expenditures for special tools	$ 1,035.6	$ 1,095.6	$ 941.0
Worldwide payrolls	$10,028.4	$ 9,771.4	$10,308.5
Worldwide average number of employes (in thousands)	681	734	811
Common and preferred stockholders—Number (in thousands)	1,323	1,348	1,306
—Equity	$13,082.4	$12,530.6	$12,566.8
Book value per share of common stock	$ 44.50	$ 42.58	$ 42.71
Working capital	$ 6,394.0	$ 5,541.9	$ 6,196.9

Factory Sales of Cars and Trucks, including export shipments (Units in Thousands)			
Manufactured in the United States			
Passenger cars	3,680	3,592	5,251
Trucks and coaches	978	1,086	1,261
Total Manufactured in the United States	4,658	4,678	6,512
Manufactured in Canada	595	642	580
Manufactured Overseas*	1,376	1,370	1,592
Total Factory Sales of Cars and Trucks—All Sources	6,629	6,690	8,684
*Includes units manufactured by Isuzu Motors Limited and marketed by GM	86	63	43

Canada and through independent distributors and retail dealers overseas, who operate under selling agreements. To assist in the merchandising of General Motors products, General Motors Acceptance Corporation and its subsidiaries offer financial services and certain types of automobile insurance to dealers and customers.

1972	1971	1970	1969	1968	1967	1966
$30,435.2	$28,263.9	$18,752.4	$24,295.1	$22,755.4	$20,026.3	$20,208.5
174.8	64.2	127.4	153.0	130.2	113.3	154.5
24,499.4	22,727.7	16,586.8	19,103.6	17,553.2	15,421.6	15,412.3
912.4	873.1	821.5	765.8	729.1	712.6	654.1
874.2	917.5	677.3	891.7	853.1	839.6	860.8
101.4	90.0	—	110.0	111.0	107.0	114.0
2,059.8	1,784.1	185.1	1,866.3	1,907.3	1,431.5	1,528.4
2,162.8	1,935.7	609.1	1,710.7	1,731.9	1,627.3	1,793.4
12.9	12.9	12.9	12.9	12.9	12.9	12.9
2,149.9	1,922.8	596.2	1,697.8	1,719.0	1,614.4	1,780.5
1,273.1	972.5	971.0	1,227.5	1,227.5	1,084.4	1,298.1
$ 876.8	$ 950.3	($ 374.8)	$ 470.3	$ 491.5	$ 530.0	$ 482.4
7.1%	6.8%	3.2%	7.0%	7.6%	8.1%	8.9%
$ 7.51	$ 6.72	$ 2.09	$ 5.95	$ 6.02	$ 5.66	$ 6.24
4.45	3.40	3.40	4.30	4.30	3.80	4.55
$ 3.06	$ 3.32	($ 1.31)	$ 1.65	$ 1.72	$ 1.86	$ 1.69
286.1	286.0	285.5	285.4	285.4	285.3	285.3
59.5%	50.9%	161.5%	72.5%	71.6%	67.4%	73.1%

$ 940.0	$ 1,013.0	$ 1,134.2	$ 1,043.8	$ 860.2	$ 912.6	$ 1,188.1
$ 898.5	$ 630.7	$ 1,148.6	$ 863.1	$ 865.8	$ 881.2	$ 890.8
$ 8,668.2	$ 8,015.1	$ 6,259.8	$ 6,928.3	$ 6,540.1	$ 5,634.2	$ 5,559.7
760	773	696	794	757	728	745
1,285	1,315	1,358	1,363	1,372	1,399	1,418
$11,682.9	$10,805.2	$ 9,853.8	$10,227.9	$ 9,756.8	$ 9,261.2	$ 8,726.1
$ 39.64	$ 36.58	$ 33.28	$ 34.58	$ 32.94	$ 31.23	$ 29.37
$ 5,564.8	$ 4,530.4	$ 3,267.6	$ 4,548.9	$ 4,390.2	$ 4,113.7	$ 3,709.1

4,778	4,857	2,977	4,425	4,581	4,119	4,449
963	910	614	835	829	679	746
5,741	5,767	3,591	5,260	5,410	4,798	5,195
459	509	291	501	424	386	356
1,591	1,503	1,426	1,399	1,253	1,087	1,166
7,791	7,779	5,308	7,160	7,087	6,271	6,717
39	—	—	—	—	—	—

Supplementary Information (concluded)

Selected Common Stock Data

	1975 Quarters				1974 Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Price Range*—High	$45.88	$48.88	$53.88	$59.13	$55.50	$53.50	$48.88	$38.00
—Low	31.25	39.63	46.00	49.38	45.63	46.13	35.50	28.88
Earned Per Share	0.20	1.14	0.84	2.14	0.41	1.05	0.05	1.76
Dividends Per Share	0.60	0.60	0.60	0.60	0.85	0.85	0.85	0.85

*Based on prices on the New York Stock Exchange, the principal market

Lines of Business

General Motors considers itself to be in a single line of business, broadly defined as transportation equipment. The amount of net sales, by classes of products, attributable to United States operations and the amount of net sales attributable to Canadian and Overseas operations are summarized for the five years ended December 31, 1975 as follows:

	1975	1974	1973	1972	1971
			(In Millions)		
United States operations:					
Automotive products	$26,137.3	$23,446.7	$28,116.6	$23,894.8	$22,619.1
Nonautomotive products	2,392.8	2,210.2	1,938.8	1,705.2	1,560.9
Defense and space	387.7	359.1	316.4	321.9	414.6
Total United States operations	28,917.8	26,016.0	30,371.8	25,921.9	24,594.6
Canadian operations	4,263.3	3,693.7	3,116.0	2,489.1	2,470.4
Overseas operations	7,227.3	5,968.8	5,779.0	4,741.4	4,112.3
Elimination of intercompany sales	(4,683.5)	(4,129.0)	(3,468.5)	(2,717.2)	(2,913.4)
Total	$35,724.9	$31,549.5	$35,798.3	$30,435.2	$28,263.9

Because of the high degree of integration, substantial inter-divisional and intercompany transfers of materials and services are made. Consequently, any determination of income by the classes of products or areas of operations shown above is necessarily arbitrary because of the allocation and reallocation of costs, including corporate costs, benefiting more than one division or product. Within these limitations, the Corporation estimates that the percentage of net income attributable to the United States, Canadian and Overseas operations for the five years ended December 31, 1975 is as follows:

	1975	1974	1973	1972	1971
United States operations:					
Automotive products	77%	81%	84%	85%	89%
Other products	8	8	2	3	1
Total United States operations	85	89	86	88	90
Canadian operations	9	11	5	4	5
Overseas operations	6	—	9	8	5
Total	100%	100%	100%	100%	100%

1975 General Motors Report on Programs of Public Interest

Additional information on GM operations during 1975 in such areas as fuel economy improvements, automotive emissions and safety, energy management, alternative auto engine developments, overseas operations, public transportation, equal employment opportunities, and employe benefit programs will be available in a supplemental booklet "1975 General Motors Report on Programs of Public Interest" after April 1. Stockholders wishing to receive a copy of this booklet may write to: General Motors Corporation, Room 11-229, General Motors Building, Detroit, Michigan 48202.

Inside back cover—left to right: Electro-Motive Diesel Locomotive, TEREX Off-Highway Scraper, Frigidaire Touch-N-Cook Range, Isuzu Gemini, Bedford "T" Tractor, Opel Diplomat, Frigidaire Top-Freezer Refrigerator, Chevrolet 4-Wheel Drive Pickup, Vauxhall Chevette, Holden Statesman Caprice, GMC Astro 95 Tractor.

Major photography: Bill Ray

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SCOTLAND
ENGLAND
LLS 177N
VAUXHALL
GMC

General Motors Corporation
Detroit, Michigan 48202

ing by better than a third in just the next five years. And you may leave here today assured that the leadership our Corporation has earned in transportation is not going to be lost by any lack of confidence in its future, or by any inability to act upon the opportunities that are so surely there. . . .

RESULTS OF STOCKHOLDER VOTING

ITEM 1—Election of Directors

The 25 nominees for Directors named in the Proxy Statement were elected with each nominee receiving more than 217,133,668 of the votes cast. In accordance with the stockholders' directions, a total of 1,206,818 shares, owned by 10,816 stockholders, was not voted for Directors.

ITEM 2—Ratification of the Selection of Independent Public Accountants

The proposal to ratify the selection of Haskins & Sells as independent public accountants for the year 1975 was approved by a vote of 217,568,829 shares for the proposal (99.59%) and 891,494 shares against the proposal (0.41%).

ITEM 3—Political Nonpartisanship

The proposal to require the Corporation to avoid certain practices pertaining to political contributions (a proposal the Corporation stated was unnecessary since it does not approve of or engage in any of the practices referred to, and all corporations' activities in this area are defined by law) was defeated by a vote of 8,872,036 shares for the proposal (4.17%) and 203,910,905 shares against the proposal (95.83%).

ITEM 4—Provide for Cumulative Voting in the Election of Directors

The proposal requesting that the necessary steps be taken to provide for cumulative voting in the election of Directors (a proposal the Corporation considered would encourage the election of Directors representing special interests and weaken the responsibility of the Board of Directors to represent all stockholders) was defeated by a vote of 6,411,876 shares for the proposal (3.01%) and 206,837,107 shares against the proposal (96.99%).

ITEM 5—Establish a Stockholder Committee for Corporate Responsibility

The proposal to establish a committee to undertake an independent social audit of the Corporation and to publish a report to stockholders on its findings and recommendations (a proposal the Corporation opposed because it has clearly demonstrated and widely publicized its progress in areas of social responsibility and because it would only duplicate efforts of the Corporation in various areas, including the activities of the Public Policy Committee of the Board of Directors) was defeated by a vote of 4,585,812 shares for the proposal (2.15%) and 208,641,202 shares against the proposal (97.85%).

ITEM 6—Amend the Savings-Stock Purchase Program for Salaried Employes to Restrict Corporation Contributions and Limit Employe Participation

The proposal to restrict Corporation contributions to the Program depending upon earnings and dividends and to limit participation in the Program to employes who are not eligible for stock options or earn less than a stipulated salary (a proposal the Corporation considered would create serious employe morale problems and reduce employes' personal interest in the success of the business as well as their commonality of interest with the stockholders by inhibiting the growth of employe stock ownership) was defeated by a vote of 7,332,483 shares for the proposal (3.44%) and 205,741,299 shares against the proposal (96.56%).

ITEM 7—Modify the General Motors Incentive Program

The proposal to reduce the amount of bonus awards available at all levels of earnings (a proposal the Bonus and Salary Committee of the Board of Directors considered would seriously impair the ability of the Corporation to attract and retain high-quality executive talent) was defeated by a vote of 7,322,331 shares for the proposal (3.44%) and 205,757,683 shares against the proposal (96.56%).

231st Cash Dividend on General Motors Common Stock

June 10, 1975

On May 5, 1975, your Board of Directors declared a dividend of $0.60 per share on the outstanding common stock, payable June 10, 1975, to stockholders of record May 15, 1975. In June, 1974, a dividend of $0.85 per share was paid.

The dividend now being paid, together with the dividend of $0.60 per share paid on March 10, brings total dividends for the first six months of 1975 to $1.20 per share. This compares with total dividends of $1.70 per share paid in the first six months of 1974.

The total payment of approximately $172,000,000 is being distributed to some 1,329,000 holders of General Motors common stock.

Dividend Reinvestment Plan

The General Motors Dividend Reinvestment Plan provides a convenient, economical method for stockholders to obtain additional shares through the automatic reinvestment of their dividends. We are pleased to announce that, effective August 11, 1975, participants in the Plan will be permitted to also make optional cash payments to purchase additional shares of General Motors common stock. Stockholders interested in receiving detailed information on the amended Plan should write to the Stock Transfer Department.

Stock Transfer Department
General Motors Corporation
767 Fifth Avenue
New York, New York 10022

67TH ANNUAL MEETING OF STOCKHOLDERS*

The 67th Annual Meeting of General Motors stockholders was held May 23, 1975, at the Fisher Theatre, Detroit. The meeting was attended by over 850 persons from 19 states as well as from Canada. There were 218,460,323 shares of GM common stock represented at the meeting, or 76.15% of the 286,888,558 common shares outstanding. Also, 743,191 stockholders, or 55.72% of the 1,333,679 eligible stockholders of GM, were represented either in person or by proxy.

Excerpts From Chairman Thomas A. Murphy's Report to Stockholders

. . . As we all know, General Motors is indeed passing through hard times. I must, however, emphasize this: *we are passing through*. Here in the United States, we are gaining—not losing—market share, in both cars and trucks. We have, in our dealers' showrooms today, the broadest and best product lines in our history. They represent extraordinary value, and our American-built cars rank at the top in fuel economy in every weight class in which we now compete. Where the competition is most intense—in small cars in the United States—General Motors has taken the industry leadership in sales for both the 1975 calendar year and the model year to date. We are also introducing new products: just this month the handsome international-size Cadillac Seville, capable of 21 miles per gallon on the highway, and the snappy Chevrolet Monza Towne Coupe which can deliver up to 34 miles per gallon. These are forerunners of a new generation of high-quality, smaller, even more fuel-efficient GM cars.

General Motors is still gaining, still innovating, still looking ahead – and of central importance – still earning. More than any other measure, GM's continued ability to earn, even in this depressed market, is the surest sign of our Corporation's strength and the strongest reason for confidence in its future.

So, with certainty, even as we weather with success this passing time of turbulence, we are making ready for a brighter and a better tomorrow. There are lessons to be learned in adversity —and in this time of testing we are learning ours. We know we are profiting today—even today—because of tough decisions made in other times. Just as we know the tough decisions we make today will produce the greater profits of tomorrow.

Our direction is set, and we are taking the steps—the hard steps that hard times require—to prepare for the better days ahead, to respond as we must to changing tastes and demands. To do this, it is essential that our Corporation maintain its strong financial position, for upon this strength our whole future success and continued growth depend. Accordingly, we have taken three significant steps. . . . These actions in efficiency promotion, dividend lowering, and capital borrowing will help assure GM's continued strength and profitability. They will help to finance the most extensive and ambitious redesign program ever undertaken in our industry, a program to assure and even enhance GM's competitive position in the growing markets we see in the years ahead. This massive and unprecedented program will dramatically alter the size, weight, and shape of virtually every GM car by the end of this decade.

We are answering the call of the market and thereby fulfilling our Corporation's most elemental responsibility: to meet the needs of the public it serves. GM's new generation of cars is being designed to the tastes of the American car-buyer as well as to the necessities of a more energy-conscious time. . . .

I am pleased to announce today that General Motors will bring to market in the coming model year a new American-built car of a new size: smaller, more modern, and more fuel efficient than any being built in America today. General Motors will be the first to respond with American cars tailored to the needs and desires of families of every size. We see a market not only for these new smaller cars but for other sizes up to a full-size car suited to those 23% of American families with five or more people.

With this generation of cars, we will fulfill our commitment to achieve by 1980 a sales-weighted average improvement in gas mileage of 53% over our 1974 cars. We will, that is, if we are freed from further and unnecessary regulation. We have asked you, our stockholders—and we ask you again—to join us in this plea to our representatives in Washington. We ask no favors of government; we ask only freedom from unreasonable regulation, an entrepreneur's freedom to give the customer what he wants. By serving the American motorist, we will at the same time provide jobs for our employes, business for our suppliers, taxes for government, and the dividends that you, the owners of our business, have earned by your investment. We will also help to improve the quality of the air we all breathe, and to conserve the precious resources of energy we all need.

We are advancing toward these goals today. We progress every time a new emission-controlled, more fuel-efficient 1975 GM car is bought to replace an old car. Not a single emission standard need be changed, not a penny of fuel-efficiency tax need be enacted, for the United States to continue to achieve cleaner air and greater energy independence. On the other hand, should the Congress—as it is even today considering—further tighten emission standards and levy punitive taxes on full-size cars, it will do little for either ecology or energy. But it will inflict new hardship upon the economy; it will hurt the American automobile buyer; it will slow our nation's recovery from recession; it will prolong and widen our unemployment, and it will mark another sorry milestone on the path away from economic freedom.

This, then, is my first report on the status of our business—but more significantly, on its prospects. The calendar-year 1975 is not yet half over. We continue to plan on 1975 being a turnaround year for our economy and for our business. In the United States, for example, we expect car sales to increase in the second half, rising to an annual rate between 9 million and 9.5 million cars by the year-end. We see car sales for the year topping 8.5 million, only slightly below 1974. But significantly, the sales trend will be on the way up, and higher sales will be attained in 1976 and beyond.

We do not go along with those who say the automobile has a lesser place in the American future. No, we say it has a firm place, a place made secure by the way of life that people, by their free choices, have chosen to adopt. In the world of tomorrow—certainly no less than today —there will be automotive transportation. We see the world market for cars and trucks grow-

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**A detailed report of the Annual Meeting may be obtained by writing to: General Motors Corporation, Room 11-229 General Motors Building, Detroit, Michigan 48202.*

1975 CHEVROLET VEGA Hatchback Coupe with GT Option

CHEVROLET VEGA

"Economy Plus" is the byword for the 1975 Chevrolet Vega. It's one of the lowest priced cars made in America—with a Manufacturer's Suggested Retail Price for the 2-door notchback coupe of under $2,800. Vega's High Energy Ignition System helps reduce scheduled maintenance costs, and its economical 4-cylinder engine takes you a long way on a gallon of gas. **Published Environmental Protection Agency gasoline mileage figures for the Vega 4-cylinder passenger car, equipped with a 140 cubic-inch engine and the available 2-barrel carburetor, are 29 mpg in the highway test and 22 mpg in the city test.***

The Vega is available in 2-door hatchback, notchback, and station wagon body styles. There's also the new limited production Cosworth Vega that features an electronic fuel injected version of the 4-cylinder engine.

A 3-speed manual transmission is standard on all Vegas (except the Cosworth), but a 4-speed manual transmission or Turbo Hydra-matic automatic transmission is available. Other available equipment includes air conditioning, power brakes, power steering, vinyl roof covers, AM/FM stereo radio, and Comfortilt steering wheel.

Your Chevrolet dealer will be happy to provide more details on Vega models. Why not test drive a Vega or one of Chevrolet's many other small, mid, or regular-size cars. The selections are impressive and the values exceptional.

DIMENSIONS

Wheelbase	Over-all Length	Over-all Width
97.0″	175.4″	65.4″

*Consult EPA California Gas Mileage Guide for all California Emission-Equipped Cars.